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NOTE 3: INVESTMENT IN TIME WARNER ENTERTAINMENT

On September 15, 1993, U S WEST acquired 25.51 percent pro-rata priority capital and residual equity interests ("equity interests") in Time Warner Entertainment Company L.P. ("TWE") for an aggregate purchase price of \$2.553 billion, consisting of \$1.532 billion in cash and \$1.021 billion in the form of a four-year promissory note bearing interest at a rate of 4.391 percent per annum. TWE owns and operates substantially all of the entertainment assets previously owned by Time Warner Inc., consisting primarily of its filmed entertainment, programming-HBO and cable businesses. As a result of U S WEST's admission to the partnership, certain wholly owned subsidiaries of Time Warner Inc. ("General Partners") and subsidiaries of Toshiba Corporation and ITOCHU Corporation hold equity interests of 63.27, 5.61 and 5.61 percent, respectively. In connection with the TWE investment, the company acquired 12.75 percent of the common stock of Time Warner Entertainment Japan Inc., a joint venture company established to expand and develop the market for entertainment services in Japan.

The company has an option to increase its equity interests in TWE from 25.51 up to 31.84 percent depending on cable operating performance, as defined in the TWE Partnership Agreement. The option is exercisable, in whole or part, between January 1, 1999, and May 31, 2005, for an aggregate cash exercise price of \$1.25 billion to \$1.8 billion, depending on the year of exercise. Either TWE or U S WEST may elect that the exercise price for the option be paid with partnership interests rather than cash.

Pursuant to the TWE Partnership Agreement and U S WEST Admission Agreement, there are six levels of capital. From the most to least senior, the capital accounts are: senior preferred (held by the General Partners); A preferred (held pro rata by all partners); B, C and D preferreds (all held by the General Partners); and common (residual equity interests held pro rata by all partners). Of the \$2.553 billion contributed by U S WEST, \$1.658 billion represents A preferred capital and \$895 represents common capital. The TWE Partnership Agreement provides for special allocations of income and distributions of partnership capital, which are based on the fair value of assets contributed to the partnership. Partnership income, to the extent earned, is allocated as follows: (1) to the partners so that the economic burden of the income tax consequences of partnership operations is borne as though the partnership was taxed as a corporation ("special tax income"); (2) to the partners' preferred capital accounts in order of priority shown above, at various rates of return ranging from 8 percent to 13.25 percent; and (3) to the partners' common capital according to their residual partnership

interests. To the extent partnership income is insufficient to satisfy all special allocations in a particular accounting period, the unearned portion is carried over until satisfied out of future partnership income. Partnership losses generally will be allocated in reverse order, first to eliminate prior allocations of partnership income, except senior preferred and special tax income, next to reduce initial capital amounts, other than senior preferred, then to reduce the senior preferred account and finally, to eliminate special tax income. Also, the senior preferred is scheduled to be distributed in three annual installments beginning July 1, 1997. The value of the C and D preferreds will be determined at future dates and is dependent on achieving certain operating targets between 1992 and 2001.

Beginning July 1, 1994, the TWE Partnership Agreement generally permits cash distributions to the partners to pay applicable taxes on their allocable taxable income from TWE. In addition, beginning July 1, 1995, and subject to restricted payment limitations and availability under the applicable financial ratios contained in the TWE Credit Agreement, distributions other than tax-related distributions also are permitted. For other than distributions related to taxes or the senior preferred, the TWE Partnership Agreement requires certain cash distribution thresholds be met to the limited partners before the General Partners receive their full share of distributions. No cash distributions were made to U S WEST in 1994.

The company accounts for its investment in TWE under the equity method of accounting. The excess of fair market value over the book value of total partnership net assets implied by the company's investment is \$5.7 billion. This excess is being amortized on a straight-line basis over 25 years. The company's recorded share of TWE operating results represents allocated TWE net income or loss adjusted for the amortization of the excess of fair market value over the book value of the partnership net assets. As a result of this amortization and the special income allocations described above, U S WEST's recorded pretax share of TWE's 1994 and 1993 operating results was (\$18) and (\$20), respectively.

As consideration for its expertise and participation in the cable operations of TWE, the company earns a management fee of \$130 over five years, which is payable over a four-year period beginning in 1995. Management fees of \$26 and \$8 were recorded to other income in 1994 and 1993, respectively.

Summarized financial information for TWE is presented below:

<i>Year Ended December 31, Summarized Operating Results</i>	<i>1994</i>	<i>1993</i>
Revenue	\$ 8,460	\$ 7,946
Operating expenses (1)	7,612	7,063
Interest and other expense, net (2)	647	611
Income before income taxes and extraordinary item	201	272
Income before extraordinary item	161	208
Net income	\$ 161	\$ 198

(1) Includes depreciation and amortization of \$943 and \$902 in 1994 and 1993, respectively.

(2) Includes corporate services of \$60 in 1994 and 1993.

<i>December 31, Summarized Financial Position</i>	<i>1994</i>	<i>1993</i>
Current assets	\$ 3,573	\$ 3,745
Non-current assets	15,089	14,218
Current liabilities	2,857	2,265
Non-current liabilities	7,909	8,162
Senior preferred capital	1,663	1,536
Partners' capital	6,233	6,000

In early 1995, Time Warner Inc. announced its intention to simplify its corporate structure by establishing a separate, self-financing enterprise to house its cable and telecommunications properties. Any change in the structure of TWE would require the approval of U S WEST and its TWE partners.

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NOTE 4: RESTRUCTURING CHARGES

The company's 1993 results reflect a \$1 billion restructuring charge (pretax). The restructuring charge includes only the specific, incremental and direct costs that can be estimated with reasonable accuracy and are clearly identifiable with the related plan. The related restructuring plan (the "Plan") is designed to provide faster, more responsive customer services, while reducing the costs of providing these services. As part of the Plan, the company is developing new systems that will enable it to monitor networks to reduce the risk of service interruptions, activate telephone service on demand, provide automated inventory systems and centralize its service centers so customers can have their telecommunications needs met with one phone call. The company is consolidating its existing 560 customer service centers into 26 centers in 10 cities and reducing its total work force by approximately 9,000 employees (including the remaining employee reductions associated with the restructuring plan announced in 1991). The Plan provides for the reduction of 2,450 management and 6,550 occupational employees.

Following is a schedule of the costs included in the 1993 restructuring charge:

Employee separation	\$ 230
Systems development	400
Real estate	130
Relocation	110
Retraining and other	65
Asset write-down	65
Total	\$ 1,000

Employee separation costs include severance payments, health-care coverage and postemployment education benefits. Systems development costs include the replacement of existing, single-purpose

systems with new systems designed to provide integrated, end-to-end customer service. The work-force reductions would not be possible without the development and installation of the new systems, which will eliminate the current, labor-intensive interfaces between existing processes. Real estate costs include preparation costs for the new service centers. The relocation and retraining costs are related to moving employees to the new service centers and retraining employees on the methods and systems required in the new, restructured mode of operation.

During 1994, 497 management and 1,683 occupational employees left the company under the Plan. The following table shows amounts charged to the restructuring reserve:

	<i>Amount</i>
Employee separation (1)	\$ 75
Systems development	127
Real estate	50
Relocation	21
Retraining and other	16
1994 restructuring reserve activity	\$ 289

(1) Includes \$56 associated with work-force reductions under the 1991 restructuring plan.

The company's 1991 restructuring plan included a pretax charge of \$364 due to planned work-force reductions and the write-off of certain intangible and other assets. The portion of the 1991 restructuring charge related to work-force reductions was \$240, and covered approximately 6,000 employees. The balance of the unused reserve associated with work-force reductions at December 31, 1993, was \$56. All expenditures and work-force reductions under the 1991 plan were completed by the end of 1994.

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NOTE 5: PROPERTY, PLANT AND EQUIPMENT

The composition of property, plant and equipment follows:

December 31,	1994	1993
Land and buildings	\$ 2,604	\$ 2,521
Telephone network equipment and outside plant	23,519	22,479
General purpose computer and other	4,157	3,569
Construction in progress	734	592
	<u>31,014</u>	<u>29,161</u>
Less accumulated depreciation:		
Buildings	698	656
Telephone network equipment and outside plant	14,175	13,389
General purpose computer and other	2,144	1,884
	<u>17,017</u>	<u>15,929</u>
Property, plant and equipment - net	<u>\$13,997</u>	<u>\$13,232</u>

In 1994, USWC sold certain rural telephone exchanges with a cost basis of \$122. The company received consideration for the sales of \$93 in cash and \$81 in replacement property. The company will receive an additional \$30 of replacement property in 1995.

Discontinuance of SFAS No. 71 U S WEST incurred a non-cash, extraordinary charge of \$3.1 billion, net of an income tax benefit of \$2.3 billion, in conjunction with its decision to discontinue accounting for the operations of USWC in accordance with SFAS No. 71, "Accounting for the Effects of Certain Types of Regulation," as of September 30, 1993. SFAS No. 71 generally applies to regulated companies that meet certain requirements, including a requirement that a company be able to recover its costs,

notwithstanding competition, by charging its customers at prices established by its regulators. U S WEST's decision to discontinue application of SFAS No. 71 was based on the belief that competition, market conditions and the development of multimedia technology, more than prices established by regulators, will determine the future cost recovery by USWC. As a result of this change, the remaining asset lives of USWC's plant were shortened to more closely reflect the useful (economic) lives of such plant.

Following is a list of the major categories of telephone property, plant and equipment and the manner in which depreciable lives were affected by the discontinuance of SFAS No. 71:

Category	Average Life (years)	
	Before Discontinuance	After Discontinuance
Digital switch	17-18	10
Digital circuit	11-13	10
Aerial copper cable	18-28	15
Underground copper cable	25-30	15
Buried copper cable	25-28	20
Fiber cable	30	20
Buildings	27-49	27-49
General purpose computers	6	6

The company employed two methods to determine the amount of the extraordinary charge. The "economic life" method assumed that a portion of the plant-related effect is a regulatory asset that was created by the under-depreciation of plant under regulation. This method yielded the plant-related adjustment that was confirmed by the second method, a discounted cash flows analysis.

Following is a schedule of the nature and amounts of the after-tax charge recognized as a result of the company's discontinuance of SFAS No. 71:

Plant related	\$ 3,124
Tax-related regulatory assets and liabilities	(208)
Other regulatory assets and liabilities	207
Total	<u>\$ 3,123</u>

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NOTE 6: DEBT

Short-term Debt The components of short-term debt follow:

December 31,	1994	1993
Notes payable:		
Commercial paper	\$ 2,305	\$ 1,029
Current portion of long-term debt, including \$500 and \$450 payable to TWE, in 1994 and 1993, respectively	732	795
Allocated to discontinued operations - net	(200)	(48)
Total	\$ 2,837	\$ 1,776

The weighted average interest rate on commercial paper was 5.97 percent and 2.77 percent at December 31, 1994 and 1993, respectively.

U S WEST is permitted to borrow up to approximately \$1.9 billion under short-term formal lines of credit, all of which was available at December 31, 1994.

Long-term Debt Interest rates and maturities of long-term debt at December 31 follow:

Interest rates	Maturities					Total	Total
	1996	1997	1998	1999	Thereafter	1994	1993
Up to 5%	\$ 271	\$ -	\$ 35	\$ -	\$ 240	\$ 546	\$ 844
Above 5% to 6%	13	25	300	-	261	599	561
Above 6% to 7%	-	-	-	226	1,290	1,516	1,383
Above 7% to 8%	670	16	-	-	2,507	3,193	2,061
Above 8% to 9%	28	-	-	126	290	444	504
Above 9% to 10%	-	29	-	15	355	399	399
	\$ 982	\$ 70	\$ 335	\$ 367	\$ 4,943	6,697	5,752
Capital lease obligations and other						153	139
Unamortized discount - net						(1,239)	(101)
Allocated to discontinued operations - net						(510)	(367)
Total						\$ 5,101	\$ 5,423

Long-term debt consists principally of debentures and medium-term notes, debt associated with the company's Leveraged Employee Stock Ownership Plans (LESOP), and zero coupon, subordinated notes convertible at any time into U S WEST common shares. The zero coupon notes have a yield to maturity of approximately 7.3 percent and are recorded at a discounted value of \$498. Long-term debt also includes a note payable to TWE of \$271 in 1994 and \$555 in 1993.

During 1993, U S WEST refinanced debt issues aggregating \$2.7 billion in principal amount. Expenses associated with the refinancing resulted in an extraordinary charge to income of \$77, net of a tax benefit of \$48. The refinancing allowed the company to take advantage of favorable interest rates.

Interest payments, net of amounts capitalized, were \$534, \$680 and \$704 for 1994, 1993 and 1992, respectively, of which \$103, \$212 and \$220, respectively, relate to discontinued operations.

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NOTE 7: LEASING ARRANGEMENTS

U S WEST has entered into operating leases for office facilities, equipment and real estate. Rent expense under operating leases was \$288, \$275 and \$274 in 1994, 1993 and 1992, respectively.

Minimum future lease payments as of December 31, 1994, under non-cancellable operating leases, follow:

Year	
1995	\$ 153
1996	140
1997	128
1998	123
1999	109
Thereafter	853
Total	<u>\$ 1,506</u>

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NOTE 8: DERIVATIVE FINANCIAL INSTRUMENTS

The company is exposed to market risks arising from changes in interest rates and foreign exchange rates. Derivative financial instruments are used by the company to manage these risks.

Interest Rate Risk Management The company enters into interest rate swap agreements to manage its market exposure to fluctuations in interest rates. Swap agreements are primarily used to effectively convert existing commercial paper to fixed-rate debt. This allows the company to achieve interest savings over issuing fixed-rate debt directly. Additionally, the company has entered into interest rate swaps to effectively terminate existing swaps.

Under an interest rate swap, the company agrees with another party to exchange interest payments at specified intervals over a defined term. Interest payments are calculated by reference to the notional amount based on the fixed- and variable-rate terms of the swap agreements. The net interest received or paid as part of the interest rate swap is accounted for as an adjustment to interest expense.

The company also entered into a currency swap to convert Swiss franc-denominated debt to dollar-denominated debt. This allowed the company to achieve interest savings over issuing fixed-rate, dollar-denominated debt. Under the currency swap, the company agreed with another party to exchange dollars for francs within the terms of the loan, which include periodic interest payments and principal upon origination and maturity. The currency swap and foreign currency debt are combined and accounted for as if fixed-rate, dollar-denominated debt were issued directly.

The following table summarizes terms of swaps pertaining to continuing operations as of December 31, 1994. Variable rates are primarily indexed to the 30-day commercial paper rate.

Continuing operations	Notional Amount	Maturities	Weighted Average Rate	
			Receive	Pay
Variable to fixed	\$ 785	1995 - 2004	6.14	6.47
Fixed to variable	5	1995	6.61	5.87
Currency	71	1999	-	6.53

The following table summarizes terms of swaps pertaining to discontinued operations as of December 31, 1994. Variable rates are indexed to three- and six-month LIBOR.

Discontinued operations	Notional Amount	Maturities	Weighted Average Rate	
			Receive	Pay
Variable to fixed (1)	\$ 380	1996 - 1997	5.69	9.03
Fixed to variable (1)	380	1996 - 1997	7.29	5.80
Variable rate basis adjustment (2)	10	1997	5.89	7.04

(1) The fixed to variable swap has the same terms as the variable to fixed swap and was entered into to terminate the variable to fixed swap. The net interest cost on the swaps is a cost of discontinued operations and is included in the discontinued operations loss provision.

(2) Variable rate debt based on U. S. Treasury securities is swapped to a LIBOR-based interest rate.

In 1993, the company executed forward contracts to sell U. S. Treasury securities to reduce debt issuance risks by allowing the company to lock in the Treasury rate component of the future debt issue. At December 31, 1994, deferred credits of \$8 and deferred charges of \$51 on closed interest rate forward contracts are included as part of the carrying value of the underlying debt. The deferred credits and charges are being recognized as a yield adjustment over the life of the debt, which matures at various dates through 2043. The net deferred charge is directly offset by the lower coupon rate achieved on the debt issuance. At December 31, 1994, there were no open forward contracts on interest rates.

The counterparties to these derivative contracts are major financial institutions. The company is exposed to credit loss in the event of non-performance by these counterparties. The company manages this exposure by monitoring the credit standing of the counterparty and establishing dollar and term limitations that correspond to the respective credit rating of each counterparty. The company does not have significant exposure to an individual counterparty and does not anticipate non-performance by any counterparty.

Foreign Exchange Risk Management The company enters into forward and option contracts to manage the market risks associated with fluctuations in foreign exchange rates after considering offsetting foreign exposures among international operations.

The company enters into forward contracts to exchange foreign currencies at agreed rates on specified future dates. This allows the company to fix the cost of firm foreign commitments. The commitments and the forward contracts are for periods up to one year. The gain or loss on forward contracts designated as hedges of firm foreign investment commitments are included in common shareowners' equity and are recognized in income on sale of the investment.

The company also enters into foreign exchange combination option contracts to protect against adverse changes in foreign exchange rates. These option contracts combine purchased options to cap the foreign exchange rate and written options to finance the premium of the purchased options. The commitments and combination option contracts are for periods up to one year. Gains or losses on the contracts, designated as hedges of firm investment commitments, are included in common shareowners' equity and are recognized in income on sale of the investment.

The counterparties to these contracts are major financial institutions. The company is exposed to credit loss in the event of non-performance by these counterparties. The company does not have significant exposure to an individual counterparty and does not anticipate non-performance by any counterparty.

At December 31, 1994, the company has outstanding forward and combination option contracts to purchase British pounds in the notional amounts of \$135 and \$35, respectively. All contracts mature within one year.

Cumulative deferred credits on foreign exchange contracts of \$7 and deferred charges of \$25, and deferred taxes (benefits) of \$3 and (\$10), respectively, are included in common shareowners' equity at December 31, 1994.

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NOTE 9: FAIR VALUES OF FINANCIAL INSTRUMENTS

Fair values of cash equivalents, other current amounts receivable and payable, and short-term debt, including discontinued operations, approximate carrying values due to their short-term nature.

The fair values of mandatorily redeemable preferred stock, foreign exchange forward and combination option contracts approximate the carrying values.

The fair values of interest rate swaps are based on estimated amounts the company would receive or pay to terminate such agreements, taking into account current interest rates and creditworthiness of the counterparties.

The fair value of long-term debt, including discontinued operations, is based on quoted market prices where available or, if not available, is based on discounting future cash flows using current interest rates.

December 31, Continuing and discontinued operations	1994		1993	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Debt (includes short-term portion)	\$ 9,221	\$ 8,700	\$ 8,695	\$ 8,940
Interest rate swap agreements - assets	-	(15)	-	(29)
Interest rate swap agreements - liabilities	-	20	-	89
Debt-net	\$ 9,221	\$ 8,705	\$ 8,695	\$ 9,000

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NOTE 10: PREFERRED STOCK SUBJECT TO MANDATORY REDEMPTION

U S WEST has 50,000,000 authorized shares of preferred stock. On September 2, 1994, U S WEST issued to Fund American Enterprises Holdings Inc. ("FFC") 50,000 shares of a class of newly created 7 percent Series B Cumulative Redeemable Preferred Stock for a total of \$50. (See Note 17 to the Consolidated Financial Statements.) The preferred stock was recorded at fair market value of \$51.

U S WEST has the right, commencing five years from September 2, 1994, to redeem the shares for one thousand dollars per share plus unpaid dividends and a redemption premium. The shares are mandatorily redeemable in year 10 at face value plus unpaid dividends. At the option of FFC, the preferred stock also can be redeemed for common shares of Financial Security Assurance, a member of the Capital Assets segment.

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NOTE 11: SHAREOWNERS' EQUITY

Common Stock At December 31, 1994, the company held 7,537,372 treasury shares with a cost basis of \$163, or \$21.63 per share.

On December 6, 1994, 12,779,206 shares of U S WEST common stock were issued to, or in the name of, the holders of Wometco Cable Corp. in accordance with a merger agreement. (See Note 2 to the Consolidated Financial Statements.)

In connection with the settlement of shareowner litigation ("Rosenbaum v. U S WEST Inc. et al."), the company issued approximately 5.5 million shares of U S WEST common stock in March 1994 to class members connected with this litigation. U S WEST issued, to certified class members, non-transferable rights to purchase shares of common stock directly from U S WEST, on a commission-free basis, at a 3 percent discount from the average of the high and low trading prices of such stock on the New York Stock Exchange on February 23, 1994, the pricing date designated in accordance with the settlement. U S WEST received net proceeds of \$210 from the offering.

During fourth quarter 1993, the company issued 22 million additional shares of U S WEST common stock for net cash proceeds of \$1,020. The company used the net proceeds to reduce short-term indebtedness, including indebtedness incurred from the TWE investment, and for general corporate purposes.

Leveraged Employee Stock Ownership Plans (LESOP) USWEST maintains employee savings plans for management and occupational employees under which the company matches a certain percentage of eligible contributions made by the employees with shares of company stock. The company established two LESOPs in 1989 to provide the company stock used for matching contributions to the savings plans.

The long-term debt of the LESOP trusts, which is unconditionally guaranteed by the company, is included in the accompanying consolidated balance sheets and corresponding amounts have been recorded as reductions to common shareowners' equity. The trusts will repay the debt with company contributions and certain dividends received on shares of the company's common stock held by the LESOP. Total company contributions to the trusts (excluding dividends) were \$80, \$75 and \$78 in 1994, 1993 and 1992, respectively, of which \$19, \$24 and \$28, respectively, have been classified as interest expense. The company recognizes expense based on the cash payments method. Dividends on unallocated shares held by the LESOP were \$11, \$14 and \$17 in 1994, 1993 and 1992, respectively.

Shareholder Rights Plan The board of directors of the company has adopted a shareholder rights plan which, in the event of a takeover attempt, would entitle existing shareowners to certain preferential rights. The rights expire on April 6, 1999, and are redeemable by the company at any time prior to the date they would become effective.

Share Repurchase Subsequent to the acquisition of the Atlanta Cable Properties (See Note 2 to the Consolidated Financial Statements), the company announced its intention to purchase U S WEST common shares in the open market up to an amount equal to those issued in conjunction with the acquisition, subject to market conditions. In December 1994, the company purchased 550,400 shares of U S WEST common stock at an average price per share of \$36.30.

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NOTE 12: PARTIAL SALE OF JOINT VENTURE INTEREST

TeleWest Communications plc ("TeleWest"), the cable television/telephone joint venture in the United Kingdom owned by U S WEST and Tele-Communications Inc., made an initial public offering of its ordinary shares in November 1994. Following the offering, in which U S WEST sold 24.4 percent of its joint venture interest, U S WEST owns approximately 37.8 percent of TeleWest.

Net proceeds of approximately \$650 will be used by TeleWest to finance construction and operations costs, invest in affiliated companies and repay debt. It is the company's policy to recognize as income any gains or losses related to the sale of investee stock. U S WEST recognized a gain of \$105 in 1994, net of \$59 in deferred taxes, for the partial sale of its joint venture interest in TeleWest.

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NOTE 13: STOCK INCENTIVE PLANS

U S WEST maintains stock incentive plans for executives and key employees, and non-employees. The 1994 Stock Plan was approved by shareowners on May 6, 1994. The 1994 Stock Plan is a successor plan to the U S WEST Inc. Stock Incentive Plan and the U S WEST 1991 Stock Incentive Plan (The "Predecessor Plans"). No further grants of options or restricted stock may be made under the Predecessor Plans. The plan is administered by the Human Resources Committee of the board of directors with respect to officers, executive officers and outside directors and by a special committee with respect to all other eligible employees and eligible non-employees. The maximum aggregate number of shares of common stock of the company that may be granted in any calendar year for all purposes under the plan will be three-quarters of 1 percent of the shares of common stock outstanding (excluding shares of such common stock held in the company's treasury) on the first day of such calendar year. In the event that fewer than the full aggregate number of shares of common stock available for issuance in any calendar year are issued, the shares not issued will be added to the shares available for issuance in any subsequent year or years. Options may be exercised no later than 10 years after the date on which the option was granted. A total of 8,300,853 shares of U S WEST common stock were reserved for issuance under the 1994 Stock Plan and the Predecessor Plans at December 31, 1994.

Data for outstanding options under the plan is summarized as follows:

	<i>Number of Shares*</i>	<i>Average Option Price</i>
Outstanding January 1, 1992	3,420,406	\$ 33.97
Granted	1,410,311	38.13
Exercised	(327,221)	26.15
Canceled or expired	(53,346)	36.17
Outstanding December 31, 1992	4,450,150	35.81
Granted	1,486,106	48.83
Exercised	(412,444)	31.73
Canceled or expired	(222,273)	36.87
Outstanding December 31, 1993	5,301,539	39.76
Granted	2,438,409	36.15
Exercised	(139,762)	33.72
Canceled or expired	(214,149)	40.71
Outstanding December 31, 1994	7,386,037	\$ 38.66

* Includes options granted in tandem with SARs.

Options to purchase 2,374,394 and 1,412,791 shares were exercisable at December 31, 1994 and 1993, respectively. A total of 914,816 and 8,649,750 shares of U S WEST common stock were available for grant under the plans in effect at December 31, 1994 and 1993, respectively.

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NOTE 14: EMPLOYEE BENEFITS

Pension Plan Effective January 1, 1993, U S WEST merged its two defined benefit pension plans, covering substantially all management and occupational employees, in a single plan. Management benefits are based on a final pay formula, while occupational benefits are based on a flat benefit formula. U S WEST uses the projected unit credit method for the determination of pension cost for financial reporting purposes and the aggregate cost method for funding purposes. No funding was required in 1994, 1993 or 1992.

The composition of the net pension credit and the actuarial assumptions of the plan follow:

Year Ended December 31,	1994	1993	1992
Details of pension credit:			
Service cost – benefits earned during the period	\$ 197	\$ 148	\$ 141
Interest cost on projected benefit obligation	561	514	480
Actual return on plan assets	188	(1,320)	(411)
Net amortization and deferral	(946)	578	(318)
Net pension credit	\$ 0	\$ (80)	\$ (108)

The expected long-term rate of return on plan assets used in determining net pension cost was 8.50 percent for 1994, 9.00 percent for 1993 and 9.25 percent for 1992.

The funded status of the plan follows:

December 31,	1994	1993
Accumulated benefit obligation, including vested benefits of \$5,044 and \$5,286, respectively	\$ 5,616	\$ 5,860
Plan assets at fair value, primarily stocks and bonds	\$ 8,388	\$ 8,987
Less: Projected benefit obligation	7,149	7,432
Plan assets in excess of projected benefit obligation	1,239	1,555
Unrecognized net (gain) loss	161	(70)
Prior service cost not yet recognized in net periodic pension cost	(67)	(72)
Balance of unrecognized net asset at January 1, 1987	(785)	(865)
Prepaid pension asset	\$ 548	\$ 548

The actuarial assumptions used to calculate the projected benefit obligation follow:

December 31,	1994	1993
Discount rate	8.00	7.25
Average rate of increase in future compensation levels	5.50	5.50

Anticipated future benefit changes have been reflected in the above calculations.

Postretirement Benefits other than Pensions U S WEST and most of its subsidiaries provide certain health care and life insurance benefits to retired employees. Effective January 1, 1992, U S WEST adopted SFAS No. 106 "Employers' Accounting for Postretirement Benefits Other Than Pensions," which mandates that employers reflect in their current expenses the cost of providing retirement medical and life insurance benefits to current and future retirees. Prior to 1992, U S WEST recognized these costs as they were paid. Adoption of SFAS No. 106 resulted in a one-time, non-cash charge against 1992 earnings of \$1,741 net of a deferred income tax benefit of \$1,038, for the prior service of active and retired

employees. The effect on 1992 income from continuing operations of adopting SFAS No. 106 was approximately \$47, or \$.11 per share.

In conjunction with the adoption of SFAS No. 106, for financial reporting purposes, the company elected to immediately recognize the accumulated postretirement benefit obligation for current and future retirees, net of the fair value of plan assets. However, the Federal Communications Commission and certain state jurisdictions permit amortization of the transition obligation over the average remaining service period of active employees for regulatory accounting purposes.

U S WEST uses the projected unit credit method for the determination of postretirement medical costs for financial reporting purposes. The composition of net postretirement benefit costs and actuarial assumptions underlying plan benefits follow:

Year Ended December 31,	1994			1993			1992		
	Medical	Life	Total	Medical	Life	Total	Medical	Life	Total
Service cost - benefits earned during the period	\$ 62	\$ 13	\$ 75	\$ 60	\$ 11	\$ 71	\$ 57	\$ 10	\$ 67
Interest on accumulated benefit obligation	221	39	260	235	36	271	223	33	256
Actual return on plan assets	3	1	4	(73)	(52)	(125)	(19)	(29)	(48)
Net amortization and deferral	(68)	(31)	(99)	27	22	49	-	-	-
Net postretirement benefit costs	\$218	\$ 22	\$240	\$249	\$ 17	\$266	\$261	\$ 14	\$275

The expected long-term rate of return on plan assets used in determining net postretirement benefit costs was 8.50 percent for 1994 and 9.00 percent in 1993 and 1992.

The funded status of the plan follows:

December 31,	1994			1993		
	Medical	Life	Total	Medical	Life	Total
Accumulated postretirement benefit obligation attributable to:						
Retirees	\$ 1,733	\$ 248	\$1,981	\$ 1,795	\$ 311	\$2,106
Fully eligible plan participants	264	38	302	274	48	322
Other active plan participants	940	135	1,075	983	170	1,153
Total accumulated postretirement benefit obligation	2,937	421	3,358	3,052	529	3,581
Unrecognized net gain (loss)	243	90	333	65	(25)	40
Fair value of plan assets, primarily stocks, bonds and life insurance (1)	(894)	(374)	(1,268)	(613)	(388)	(1,001)
Accrued postretirement benefit obligation	\$2,286	\$ 137	\$2,423	\$2,504	\$ 116	\$2,620

(1) Medical plan assets include U S WEST common stock of \$164 in 1994.

The actuarial assumptions used to calculate the accumulated postretirement benefit obligation follow:

December 31,	1994	1993
Discount rate	8.00	7.25
Medical trend*	9.70	10.30

*Medical cost trend rate gradually declines to an ultimate rate of 6 percent in 2006.

A 1-percent increase in the assumed health care cost trend rate for each future year would have increased the aggregate of the service and interest cost components of 1994 net postretirement benefit cost by approximately \$50 and increased the 1994 accumulated postretirement benefit obligation by approximately \$450.

For USWC, the annual amount funded will generally follow the amount of expense allowed in regulatory jurisdictions.

Anticipated future benefit changes have been reflected in these postretirement benefit calculations.

Other Postemployment Benefits U S WEST adopted, effective January 1, 1992, SFAS No. 112, "Employers' Accounting for Postemployment Benefits." SFAS No. 112 requires that employers accrue for the estimated costs of benefits, such as workers' compensation and disability, provided to former or inactive employees who are not eligible for retirement. Adoption of SFAS No. 112 resulted in a one-time, non-cash charge against 1992 earnings of \$53, net of a deferred income tax benefit of \$32.

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NOTE 15. INCOME TAXES

The components of the provision for income taxes follow:

<i>Year Ended December 31,</i>	<i>1994</i>	<i>1993</i>	<i>1992</i>
Federal:			
Current	\$ 418	\$ 422	\$ 427
Deferred	351	(145)	46
Investment tax credits - net	(47)	(56)	(63)
	<u>722</u>	<u>221</u>	<u>410</u>
State and local:			
Current	52	71	62
Deferred	83	(23)	21
	<u>135</u>	<u>48</u>	<u>83</u>
Provision for income taxes	<u>\$ 857</u>	<u>\$ 269</u>	<u>\$ 493</u>

Amounts paid for income taxes were \$313, \$391 and \$459 in 1994, 1993 and 1992, respectively, inclusive of discontinued operations. The effective tax rate differs from the statutory tax rate as follows:

<i>Year Ended December 31, In percent</i>	<i>1994</i>	<i>1993</i>	<i>1992</i>
Federal statutory tax rate	35.0	35.0	34.0
Investment tax credit amortization	(1.3)	(3.0)	(4.2)
State income taxes - net of federal effect	3.9	4.0	3.5
Rate differential on reversing temporary differences	-	(2.2)	(3.1)
Depreciation on capitalized overheads - net	-	1.4	2.1
Tax law change - catch-up adjustment	-	3.1	-
Restructuring charge	-	(1.5)	-
Other	(0.1)	(0.7)	(0.9)
Effective tax rate	<u>37.5</u>	<u>36.1</u>	<u>31.4</u>

The components of the net deferred tax liability follow:

<i>December 31,</i>	<i>1994</i>	<i>1993</i>
Property, plant and equipment	\$ 1,504	\$ 1,340
Leases	690	663
State deferred taxes - net of federal effect	395	277
Intangible assets	164	-
Investment in partnerships	142	46
Other	84	94
Deferred tax liabilities	<u>2,979</u>	<u>2,420</u>
Postemployment benefits, including pension	718	736
Restructuring, discontinued operations and other	417	620
Unamortized investment tax credit	79	94
State deferred taxes - net of federal effect	232	220
Other	317	260
Deferred tax assets	<u>1,763</u>	<u>1,930</u>
Net deferred tax liability	<u>\$ 1,216</u>	<u>\$ 490</u>

The current portion of the deferred tax asset was \$352 and \$336 at December 31, 1994 and 1993, respectively, resulting primarily from restructuring charges and compensation-related items.

On August 10, 1993, federal legislation was enacted that increased the corporate tax rate from 34 percent to 35 percent retroactive to January 1, 1993. The cumulative effect on deferred taxes of the 1993 increase in income tax rates was \$74, including \$20 for discontinued operations.

The net deferred tax liability includes \$678 in 1994 and \$607 in 1993 related to discontinued operations.

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NOTE 16: COMMITMENTS AND CONTINGENCIES

At USWC, there are pending regulatory actions in local regulatory jurisdictions that call for price decreases, refunds or both. In one such instance, the Utah Supreme Court has remanded a Utah Public Service Commission ("PSC") order to the PSC for reconsideration, thereby establishing two exceptions to the rule against retroactive ratemaking: 1) unforeseen and extraordinary events, and 2) misconduct. The PSC's initial order denied a refund request from interexchange carriers and other parties related to the Tax Reform

Act of 1986. This case is still in the discovery process. If a formal filing - made in accordance with the remand from the Supreme Court - alleges that the exceptions apply, the range of possible risk to USWC is \$0 to \$140.

US WEST has issued letters of credit, which expire in July 1995, in conjunction with its investment in Binariang Sdn Bhd, a Malaysian telecommunications company, totaling \$110.

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NOTE 17: DISCONTINUED OPERATIONS

During second quarter 1993, the U S WEST board of directors approved a plan to dispose of the Capital Assets segment through the sale of segment assets and businesses. Accordingly, the company recorded an after-tax charge of \$100, or \$.24 per share, for the estimated loss on disposition. An additional provision of \$20, or \$.04 per share, is related to the effect of the 1993 increase in federal income tax rates. The Capital Assets segment includes activities related to financial services and financial guarantee insurance operations. Also included in the segment is US WEST Real Estate Inc., for which disposition was announced in 1991 and a \$500 valuation allowance was established to cover both carrying costs and losses on disposal of related properties. The entire Capital Assets segment has been accounted for as discontinued operations in accordance with Accounting Principles Board Opinion No. 30.

During 1994, U S WEST reduced its ownership interest in Financial Security Assurance ("FSA"), a member of the Capital Assets segment, to 60.9 percent, and its voting interest to 49.8 percent through a series of transactions. In May and June 1994, U S WEST sold 8.1 million shares of FSA, including 2.0 million shares to Fund American Enterprises Holdings Inc. ("FFC"), in an initial public offering of FSA common stock at \$20 per share. U S WEST received \$154 in net proceeds from the offering. On September 2, 1994, U S WEST issued to FFC 50,000 shares of cumulative redeemable preferred stock for a total of \$50. (See Note 10 to the Consolidated Financial Statements.) FFC's voting interest in FSA is 21.0 percent, achieved through a combination of direct share ownership of common and preferred FSA shares, and a voting trust agreement with U S WEST. The company retained certain risks in asset-backed obligations related to the commercial real estate portfolio.

FFC has a right of first offer and a call right to purchase from U S WEST up to 9.0 million shares, or approximately 57 percent, of outstanding FSA stock held by U S WEST. U S WEST anticipates its ownership will be further reduced by 1996.

During 1994, US WEST Real Estate sold 12 buildings, six parcels of land and other assets for approximately \$327. An additional property was sold in January 1995 for approximately \$37. During 1993, five properties were sold for approximately \$66. The sales were in line with company estimates. Proceeds from building sales were primarily used to pay related debt. U S WEST has completed all construction of existing buildings in the commercial real estate portfolio and expects to substantially complete the liquidation of its portfolio by 1998. The remaining balance of assets subject to sale is approximately \$607, net of reserves.

In December 1993, the company sold \$2.0 billion of finance receivables and the business of U S WEST Financial Services to NationsBank Corporation. Sales proceeds of \$ 2.1 billion were used primarily to repay related debt. The pretax gain on the sale of approximately \$100, net of selling expenses, was in line with management's estimate and was included in the company's estimate of provision for loss on disposal. The management team that previously operated the entire Capital Assets segment transferred to NationsBank.

Building sales and operating revenues of discontinued operations were \$553 in 1994, \$710 in 1993 and \$672 in 1992. Income from discontinued operations for 1993 (to June 1) and 1992 totaled \$38 and \$103, respectively. Income (loss) from discontinued operations subsequent to June 1, 1993 is being deferred and was included within the provision for loss on disposal.

Net Assets of Discontinued Operations

December 31,	1994	1993
Assets		
Cash and cash equivalents	\$ 7	\$ 24
Finance receivables - net	1,073	1,131
Investment in real estate - net of valuation allowance	465	711
Investments in securities at market value	155	895
Investment in FSA	329	-
Other assets	362	600
Total assets	\$ 2,391	\$ 3,361
Liabilities		
Debt	\$ 1,283	\$ 1,496
Deferred income taxes	693	681
Accounts payable, accrued liabilities and other	103	244
Unearned premiums	-	346
Minority interests	10	40
Total liabilities	2,089	2,807
Net assets of discontinued operations	\$ 302	\$ 554

The assets and liabilities of the Capital Assets segment have been separately classified on the consolidated balance sheets as net assets of discontinued operations.

Finance receivables primarily consist of contractual obligations under long-term leases that the company intends to run off. These long-term leases primarily consist of investments in leveraged leases related to aircraft and power plants. For leveraged leases, the cost of the assets leased is financed primarily through non-recourse debt that is netted against the related lease receivable.

The components of finance receivables follow:

December 31,	1994	1993
Receivables	\$ 1,095	\$ 1,208
Unguaranteed estimated residual values	467	477
	1,562	1,685
Less: Unearned income	459	490
Credit loss and other allowances	30	64
Finance receivables - net	\$ 1,073	\$ 1,131

Investments in securities, which are designated as available for sale, are carried at market value. Any resulting unrealized gains or losses, net of applicable deferred income taxes, are reflected as a component of common shareowners' equity. The 1994 net unrealized loss of \$64 (net of a deferred tax benefit of \$34) and the 1993 net unrealized gain of \$35 (net of deferred taxes of \$19), are included in common shareowners' equity.

The amortized cost and estimated market value of investments in securities follow:

	December 31, 1994				December 31, 1993			
	Carrying Amount	Gross Unrealized Gains	Gross Unrealized Losses (1)	Fair Value	Carrying Amount	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Marketable Securities								
Municipal	\$ 113	-	\$ 13	\$ 100	\$ 742	\$ 51	\$ 1	\$ 792
Other	65	-	10	55	99	4	-	103
Total	\$ 178	-	\$ 23	\$ 155	\$ 841	\$ 55	\$ 1	\$ 895

(1) Common shareowners' equity at December 31, 1994, also includes a net unrealized loss on marketable securities of \$49 (net of a deferred tax benefit of \$26), associated with the company's equity investment in FSA.

Debt Interest rates and maturities of debt associated with discontinued operations at December 31 follow:

Interest rates	Maturities						Total	Total
	1995	1996	1997	1998	1999	Thereafter	1994	1993
Up to 5%	\$ 50	\$ -	\$ -	\$ -	\$ -	\$ 5	\$ 55	\$ 496
Above 5% to 6%	5	-	10	-	-	-	15	5
Above 6% to 7%	100	-	54	-	-	-	154	54
Above 7% to 8%	7	5	5	-	-	-	17	26
Above 8% to 9%	-	35	-	-	150	4	189	264
Above 9% to 10%	61	-	48	5	-	-	114	177
Above 10%	-	-	-	29	-	-	29	29
Commercial paper rates	-	-	-	-	-	-	-	30
	<u>\$ 223</u>	<u>\$ 40</u>	<u>\$ 117</u>	<u>\$ 34</u>	<u>\$ 150</u>	<u>\$ 9</u>	<u>573</u>	<u>1,081</u>
Allocated from continuing operations - net							710	415
Total							<u>\$1,283</u>	<u>\$1,496</u>

Debt of \$119 and \$124 at December 31, 1994 and 1993, respectively, was collateralized by first deeds of trust on associated real estate, assignment of rents from leases, and operating and management agreements.

Financial Instruments with Off-Balance Sheet Credit Risk - Financial Guarantees The company retained certain risks in asset-backed obligations related to the commercial real estate portfolio. The principal amounts insured on the asset-backed and municipal obligations follow. The 1994 amounts do not include the financial guarantees for FSA, which is now accounted for under the equity method.

Term to Maturity	Asset-Backed (1) December 31,		Municipal (2) December 31,	
	1994	1993	1994	1993
0 to 5 Years	\$ 540	\$ 5,955	-	\$ 1,888
5 to 10 Years	537	2,050	-	2,771
10 to 15 Years	391	1,286	-	2,176
15 to 20 Years	-	593	-	2,346
20 and Above	-	2,501	-	4,606
Total	<u>\$ 1,468</u>	<u>\$ 12,385</u>	<u>-</u>	<u>\$ 13,787</u>

(1) Excludes amounts ceded to other insurers of \$6,210 in 1993 and includes \$25 of assumed obligations in 1993.

(2) Excludes amounts ceded to other insurers of \$5,576 in 1993 and includes \$1,218 of assumed obligations in 1993.

The principal amount of insured obligations in the municipal portfolio, net of amounts ceded, include the following types of issues:

December 31, Type of Issue	1994	1993
General obligation	\$ -	\$ 3,487
Tax-backed revenue	-	2,919
Housing revenue	-	1,879
Municipal utility revenue	-	1,783
Health care revenue	-	1,399
Transportation revenue	-	710
Other	-	1,610
Total	<u>\$ -</u>	<u>\$ 13,787</u>

Concentrations of collateral associated with insured asset-backed obligations, net of amounts ceded, follow:

December 31, Type of Collateral	1994	1993
Residential mortgages	\$ -	\$ 3,874
Consumer receivable	-	1,443
Securities:		
Government debt	-	2,039
Non-government securities	-	1,709
Commercial mortgages:		
Commercial real estate	530	809
Corporate secured	888	1,018
Investor-owned utility first mortgage bonds	-	772
Other asset-backed	50	721
Total	<u>\$ 1,468</u>	<u>\$ 12,385</u>

Additional Financial Information Information for U S WEST Financial Services Inc., a member of the discontinued segment, follows:

<i>Year Ended December 31, Summarized Operating Results</i>	<i>1994</i>	<i>1993</i>	<i>1992</i>
Revenues	\$ 54	\$ 410	\$ 302
Income before parent support and income taxes	*	*	83
Income before parent support	*	*	55
Net income	*	*	55

* Results of Financial Services are included in discontinued operations.

<i>December 31, Summarized Financial Position</i>	<i>1994</i>	<i>1993</i>
Net finance receivables	\$ 981	\$ 1,020
Total assets	1,331	1,797
Total debt	533	957
Total liabilities	1,282	1,748
Shareowners' equity	49	49

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NOTE 18: QUARTERLY FINANCIAL DATA (UNAUDITED)

Quarterly financial data, and per share market and dividend data, follows:

<i>Quarterly Financial Data</i>	<i>First Quarter</i>	<i>Second Quarter</i>	<i>Third Quarter</i>	<i>Fourth Quarter</i>
1994				
Sales and other revenues	\$2,641	\$2,708	\$2,765	\$2,839
Income from continuing operations before income taxes	522	609	514	638
Income from continuing operations and net income	324	375	318	409
Earnings per common share	0.73	0.83	0.70	0.89
1993				
Sales and other revenues	\$2,510	\$2,541	\$2,577	\$2,666
Income (loss) from continuing operations before income taxes	449	436	(534)	394
Income (loss) from continuing operations	296	291	(375)	264
Net income (loss)	316	159	(3,545)	264
Earnings (loss) per common share from continuing operations	0.71	0.70	(0.90)	0.62
Earnings(loss) per common share	0.76	0.38	(8.50)	0.62

1994 first-quarter income from continuing operations includes \$15 (\$.03 per share) for a gain on the sale of certain rural telephone exchanges. 1994 second-quarter net income includes gains of \$16 (\$.04 per share) and \$41 (\$.09 per share) for the sales of certain rural telephone exchanges and paging operations, respectively. 1994 fourth-quarter net income includes gains of \$105 (\$.23 per share) for the partial sale of a joint venture interest and \$20 (\$.04 per share) for the sale of certain rural telephone exchanges.

1993 second-quarter net income was reduced by \$100 (\$.24 per share) for a charge related to discontinued operations and \$50 (\$.12 per share) for the early extinguishment of debt. 1993 third-quarter net loss includes a restructuring charge of \$610 (\$1.46 per share) and \$74 (\$.18 per share), including \$20 (\$.05 per share) related to discontinued operations, for the cumulative effect on deferred taxes of the 1993 federally mandated increase in income tax rates. 1993 third-quarter net loss also includes extraordinary charges of \$3,123 (\$7.49 per share) for the discontinuance of SFAS No. 71, and \$27 (\$.06 per share) for the early extinguishment of debt.

1993 net income (loss) related to discontinued operations was \$20 (\$.05 per share) and (\$82) (\$.20 per share) for the first and second quarters, respectively. Income (loss) subsequent to June 1, 1993, is being deferred and was included within the provision for loss on disposal of the Capital Assets segment.

<i>Per share Market and Dividend Data (Whole dollars)</i>	<i>Market Price</i>			<i>Dividends</i>
	<i>High</i>	<i>Low</i>	<i>Close</i>	
1994				
First	\$46.250	\$38.500	\$40.750	\$ 0.535
Second	43.750	38.250	41.875	0.535
Third	43.125	38.250	38.750	0.535
Fourth	38.875	34.625	35.625	0.535
1993				
First	\$43.875	\$37.750	\$43.625	\$ 0.535
Second	46.000	40.625	45.875	0.535
Third	49.375	44.500	49.250	0.535
Fourth	50.750	45.750	45.875	0.535

U S WEST Board of Directors



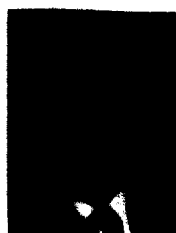
Dick Cheney (54)

A former secretary of Defense in the Bush administration, he is a senior fellow with the American Enterprise Institute in Washington, D.C. The former five-term congressman from Wyoming also served as chief of staff for President Ford. Mr. Cheney joined the U S WEST board in 1993.



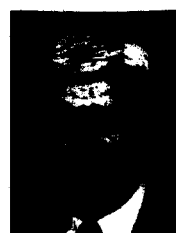
Remedios Diaz-Oliver (56)

The chief executive officer and president of All American Container Inc., which sells and distributes glass, plastic and metal containers for a variety of products worldwide. Ms. Diaz-Oliver joined the U S WEST board in 1988.



Grant A. Dove (66)

The managing partner of Technology Strategies and Alliances, a strategic planning and investment banking firm. Mr. Dove spent nearly 30 years in a number of executive positions with Texas Instruments. He joined the U S WEST board in 1988 and chairs the Human Resources Committee.



Allan D. Gilmour (60)

The former vice chairman of the Ford Motor Company, Mr. Gilmour held several executive assignments since joining Ford in 1960. He served as the company's chief financial officer before taking over leadership of its international automotive operations and, later, the Ford Automotive Group. He joined the U S WEST board in 1992.



Pierson M. Grieve (67)

The chairman and chief executive officer of Ecolab Inc., a leading worldwide developer and marketer of premium cleaning, sanitizing and maintenance products and services for the hospitality, institutional and residential markets. He joined the U S WEST board in 1990, and chairs the Board Affairs Committee.



Shirley M. Hufstедler (69)

A partner in the law firm of Hufstедler, Kaus & Ettinger. She served as secretary of Education during the Carter administration and, for 11 years, as a judge for the 9th U.S. Circuit Court of Appeals. Ms. Hufstедler joined the U S WEST board in 1983, and chairs the Public Policy Committee.



Allen F. Jacobson (68)

The former chairman and chief executive officer of 3M. Mr. Jacobson has been a member of the U S WEST board since 1983, and chairs the Corporate Development and Finance Committee.



Richard D. McCormick (54)

Named president and chief executive officer of U S WEST January 1, 1991, and chairman of the board May 1, 1992. Mr. McCormick was president of Northwestern Bell Telephone Company before joining U S WEST as executive vice president in 1985. He became a member of the company's board in 1986.



Marilyn Carlson Nelson (55)

The vice chair of Carlson Holdings Inc., a group of companies involved in marketing services, travel and hospitality services. Ms. Nelson is also chair of Citizens State Bank of Waterville, Minn., and Montgomery, Minn. She joined the U S WEST board in 1993.



Frank Popoff (59)

The chairman and chief executive officer of The Dow Chemical Company. Since joining Dow Chemical in 1959, he also served as the company's president and chief operating officer and executive vice president for international operations. Mr. Popoff joined the U S WEST board in 1993.



Glen L. Ryland (70)

The president of RYCO Inc. He is former chairman, president and chief executive officer of Frontier Holdings Inc., and its principal subsidiary, Frontier Airlines. He joined the U S WEST board in 1983, and chairs the Audit Committee.



Jerry O. Williams (56)

The president and chief executive officer of Grand Eagle Enterprises Inc., a private investment group. Mr. Williams is former president and chief operating officer of AM International Inc., a manufacturer and seller of design, display, reproduction and finishing products and supplies in the graphics industry. He joined the U S WEST board in 1988.



Daniel Yankelovich (70)

The founder and chairman of DYG Inc., a leading market research firm. He also founded Yankelovich, Skelly and White, one of the nation's largest opinion research organizations. Mr. Yankelovich joined the U S WEST board in 1983, and chairs the Trust Investment Committee.

In Memoriam

U S WEST lost two valued members of its family - Mary M. Gates and Jack D. Sparks - since the 1994 annual meeting.

Ms. Gates, a member of the U S WEST board since 1992, passed away June 9, 1994.

She also served as a director of the U S WEST NewVector Group from 1990 to 1991, and of Pacific Northwest Bell from 1979 to 1988.

Mr. Sparks, who retired from the U S WEST board in 1993, passed away Dec. 22, 1994.

The former chairman, chief executive officer and president of the Whirlpool Corporation, he was elected to the U S WEST board in 1985.

Their experience and insights were invaluable, and they will be missed.

Executive and Subsidiary Officers

*Richard D. McCormick**
Chairman, President and
Chief Executive Officer

*A. Gary Ames**
President and Chief Executive Officer
U S WEST Communications Group

*Richard J. Callahan**
Executive Vice President, U S WEST;
President, U S WEST International and
Business Development Group

*Charles M. Lillis**
Executive Vice President, U S WEST;
President and Chief Executive Officer,
U S WEST Diversified Group

*James M. Osterhoff**
Executive Vice President and
Chief Financial Officer

*Charles P. Russ III**
Executive Vice President,
General Counsel and Secretary

*C. Scott McClellan**
Acting Executive Vice President
Public Policy

*James H. Stever**
Executive Vice President and
Acting Chief Human Resources Officer

*James T. Anderson**
Vice President and Treasurer

*Lorne G. Rubis**
Vice President
Quality

*Judith A. Servoss**
Vice President
Public Relations

H. Laird Walker
Vice President
Federal Relations

Thomas E. Pardun
President and Chief Executive Officer
U S WEST Multimedia Group

Jan Peters
Chief Operating Officer
U S WEST NewVector Group

Solomon D. Trujillo
President and Chief Executive Officer
U S WEST Marketing Resources Group

Pearré Williams
President
Corporate Development Division

* Executive officer

The U S WEST Foundation

Through the U S WEST Foundation, we have donated more than \$25 million to education, health care, and other community programs. We are currently seeking qualified individuals to help us develop and implement these programs. For more information, please contact us at 800-243-7333.

Shareowner Information

U S WEST Shareowner Services

If you have questions about your U S WEST account or need to make changes, please write:

For general information, transfers, the U S WEST Investor's Handbook or the company's current Form 10-K Report:

U S WEST
P.O. Box 8935
Boston, MA 02266-8935

For dividend reinvestment:

U S WEST
P.O. Box 8936
Boston, MA 02266-8936

Shareowner Toll-Free Numbers:

For information or inquiries, call 1-800-537-0222. For recorded messages about the company's activities, call 1-800-449-0000.

Shareowners calling from Alaska, Hawaii or outside the United States, please call collect: 0-505-989-2004.

Shareowner Investment Plan

Shareowners can reinvest their dividends and/or make optional payments for a fee of \$1.00 per account, per quarter. Contact U S WEST Shareowner Services for enrollment information.

Expected Dividend

Record Dates

April 19, 1995
July 20, 1995
October 20, 1995
January 19, 1996

Expected Dividend

Payment Dates

May 1, 1995
August 1, 1995
November 1, 1995
February 1, 1996

Annual Meeting

The annual meeting of shareowners will be held at 10 a.m. Friday, May 5, 1995, at the Boise Centre, 850 West Front Street, Boise, Idaho 83702.

A signer will be at the meeting to assist the hearing impaired.

Stock Exchange Listings

U S WEST common stock is listed on the New York, Pacific, London, Zurich, Basel, Geneva, Amsterdam and Tokyo stock exchanges.

U S WEST's ticker symbol is "USW," and the company is listed in newspaper stock tables under U S WEST.

Corporate Headquarters

U S WEST Inc.
7800 East Orchard Road
P.O. Box 6508
Englewood, CO 80155-6508
303-793-6500

USWEST

7800 EAST ORCHARD ROAD

P.O. BOX 6508

ENGLEWOOD, CO 80155-6508

ATTACHMENT 11

U S WEST Communications

Retiree Benefit Plans

1992 Actuarial Study of Expense Under the

Financial Accounting Standard Board's Statement No. 106

Employers' Accounting For Postretirement Benefits Other Than Pensions

U S WEST COMMUNICATIONS
1992 Actuarial Study of Expense
Under SFAS No. 106

Purpose of Actuarial Study

The Financial Accounting Standards Board (FASB) released its new accounting rules for retiree health plans, Statement of Financial Accounting Standard No. 106 (SFAS No. 106), in December 1990. The purpose of this actuarial study is to illustrate the affect the change in accounting procedure for retiree medical and dental plans will have on U S WEST Communications.

In addition, this study provides an overview of the new accounting rules.

New Accounting Rules

U S WEST Communications generally accounts for its retiree medical and dental plans on a pay-as-you-go basis. The FASB's new accounting rules for these plans will require accrual accounting beginning in 1993.

The accrual net periodic postretirement benefit cost will be made up of the following components:

- **Service Cost.** The cost of benefits that are earned by active employees not yet eligible for retiree medical and dental benefits during the year, plus interest on the service cost. The service cost is based on the projected unit credit cost method.
- **Interest Cost.** Interest on the Accumulated Postretirement Benefit Obligation (APBO). The APBO represents the value of benefits earned as of the valuation date by active employees and retirees.
- **Actual Return of Plan Assets.** For funded plans, the actual investment return on the fair value of the plan assets.
- **Amortization of the Unfunded Liability.** The Unfunded Liability of the plan is the APBO minus plan assets as of the measurement date. This unfunded liability is amortized on a level basis over the expected future working lifetimes of current active employees.
- **Net Amortization of Gains and Losses.** Actuarial gains and losses resulting from variations in experience from assumptions, or cost changes from plan design changes, are amortized using any consistent method.

U S WEST COMMUNICATIONS
1992 Actuarial Study of Expense
Under SFAS No. 106

Adoption Date

This study assumes a January 1, 1992 adoption date for SFAS No. 106.

Net Periodic Postretirement Benefit Cost

The components of the Net Periodic Postretirement Benefit Cost for 1992 calculated under SFAS No. 106, developed in Table 92-1 is shown below (in millions):

	1992
(1) Service Cost	\$ 57.9
(2) Interest Cost	242.1
(3) Return on Plan Assets	(41.7)
(4) Amortization of Unfunded Liability	<u>153.7</u>
(5) Net Periodic Postretirement Benefit Cost	412.0
(6) Pay-as-you-go	129.1
(7) Incremental Cost	282.9

Plan Provisions

A summary of the plan provisions recognized as of January 1, 1992, is provided in Table 92-2.

Actuarial Assumption

The actuarial assumptions used to determine the Net Periodic Postretirement Benefit Cost are outlined in Table 92-3. These assumptions include the discount rate, employee separation rates, retirement rates, mortality rates, health care inflation rates, and current health care costs by age.

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